

VA Tech Wabag : Very Good: Must Subscribe

IPO Note: India as the largest potential market, growing at more than 20 per cent annually

Rating***

Issue details

Price band (Rs)	Rs.1230 - 1310
IPO Opening Date	22/09/10
IPO Closing Date	27/09/10
Issue Size	Rs.125.00 Crore

Valuations & Recommendation

The issue is being offered in a price band of Rs 1230 - 1310 per equity share. Based on the FY10 EPS of Rs 50.15, the P/E comes at 24.53 at the lower price band and 26.12 at the upper price band. As on July 2010, the firm has executed 113 projects and is currently executing 81 projects. VA Tech has presence in the Middle East, North Africa, Central and Eastern Europe, China and South East Asia.

Government reforms have created a huge investment opportunity in the sector and VA Tech Wabag is well positioned to benefit from it. With demand for clean water increasing day by day and government executing favorable policies, VA Tech Wabag stands to gain substantially.

Looking to the future prospects, we strongly recommend to subscribe in the IPO for good wealth creation over long term.

Highlights

- ◆ The company provides complete water management solutions for institutional clients like municipal corporations, companies in the infrastructure sector such as power, steel and oil and gas.
- ◆ Executed 113 projects and is currently executing 81 projects.
- ◆ The company's order book is at about Rs 3,000 crore.
- ◆ A multinational player in the water treatment industry with market presence in India, the Middle East, North Africa, Central and Eastern Europe, China and South East Asia through principal offices in India, Austria, the Czech Republic, China, Switzerland, Algeria, Romania, Tunisia, UAE, Libya and Macao.
- ◆ ICRA has assigned IPO grade of '4/5', indicating above average fundamentals, to the initial public issue of the company.

Company Introduction

Company Profile

VA Tech Wabag was incorporated as a public limited company called Balcke Durr Cooling Towers on February 17, 1995 at Chennai. The company is a multinational player in the water treatment industry with market presence in India, the Middle East, North Africa, Central and Eastern Europe, China and South East Asia through principal offices in India, Austria, the Czech Republic, China, Switzerland, Algeria, Romania, Tunisia, UAE, Libya and Macao. The company is headquartered in Chennai and conducts global operations through Subsidiaries and branch and representative offices. They share strategic and technical expertise across the Subsidiaries that believe, allow research, operational and marketing synergies.

Businesses

VA Tech offers complete life cycle solutions including conceptualization, design, engineering, procurement, supply, installation, construction and O&M services. They provide a range of EPC and O&M solutions for sewage treatment, processed and drinking water treatment, effluents treatment, sludge treatment, desalination and reuse for institutional clients like municipal corporations and companies in the infrastructure sector such as power, steel and oil and gas companies. As on July 31, 2010, the company has executed 113 projects and is currently executing 81 projects.

Technology and R&D Centers

The company is technology focused. They have R & D centers located in Chennai, India and at Vienna and Winterthur in Austria and Switzerland respectively. Wabag Austria and Wabag Wassertechnik own 157 patents which include both process and product patents. Wabag Austria has also applied for 51 patents that are pending. Bureau Veritas has certified their Indian operations as ISO 9001: 2008.

IPO & Proceed

VA Tech Wabag is coming out with a 100% book building; initial public offering (IPO) of 26,53,383 equity shares of face value Rs 5 each in a price band Rs 1230 - 1310 per equity share. Up to 50% of the issue will be allocated to Qualified Institutional Buyers (QIBs), including 5% to the mutual funds. Further, 15% would be available for the non-institutional bidders and the remaining 35% for the retail investors. The issue will open on September 22, 2010 and will close on September 24, 2010 for QIB bidders and on September 27, 2010 for non- QIB bidders. The shares will be listed on BSE as well as NSE. The face value of the share is Rs 5 and is priced 246 times of its face value on the lower side and 262 times on the higher side. Book running lead managers to the issue are Enam Securities and IDFC Capital. Proceed is being used for funding working capital requirements of the company, for construction of a corporate office at Chennai, for implementation of global IT systems etc.



RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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